United Nations A/54/441

General Assembly

Distr.: General
6 October 1999

Original: English

**Fifty-fourth session**
Agenda item 117
**Financial reports and audited financial statements, and reports of the Board of Auditors**

# Financial reports and audited financial statements, and reports of the Board of Auditors

## Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Board of Auditors on the operations of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 1998.[1] The Committee also considered the reports of the Secretary-General on implementation of the recommendations of the Board of Auditors (A/54/140) and implementation of the recommendations of the Board of Auditors concerning United Nations funds and programmes (A/54/140/Add.1), as well as two notes by the Secretary-General transmitting to the General Assembly letters dated 29 June 1999 from the Chairman of the Board of Auditors: (a) transmitting the report of the Board on implementation of its recommendations, submitted in accordance with Assembly resolution 52/212 B of 31 March 1998 (A/54/159); and (b) transmitting comments of the Board on the report of the Secretary-General on the hiring and use of consultants in the Secretariat, submitted in accordance with section VIII of Assembly resolution 53/221 of 7 April 1999 (A/54/165). The Committee also had before it the report on measures taken or proposed in response to the recommendations in the report of the Board of Auditors to the General Assembly on the accounts of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 1998 (A/AC.96/917/Add.1) and the report of the Secretary-General on the year 2000 compliance issue (A/C.5/54/3).

2. The Advisory Committee met with the Audit Operations Committee of the Board of Auditors to discuss the reports.

## Voluntary funds administered by the United Nations High Commissioner for Refugees

3. The Advisory Committee notes that many of the weaknesses identified in the audit have been covered in previous reports of the Board of Auditors and commented upon by the Committee. The Committee appreciates measures taken or proposed to be taken by the Administration to implement current and past recommendations of the Board, as outlined in the annex to the report of the Board[1] and in document A/AC.96/917/Add.1.

4. In this connection, the Advisory Committee notes that although considerable progress has been achieved in clearing outstanding balances of cash advances to implementing

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partners, the problem of timely receipt of audit certificates, in particular from government implementing partners, persists. The Committee fully shares the concern of the Board on this issue and stresses the importance of implementing fully the Board's recommendation that the Administration assess reasons for non-compliance and draw up a strategy of how to deal with this question in consultation with the Board.

5. The Advisory Committee is very concerned about the statement, contained in paragraph 3 (i) of document A/AC.96/917/Add.1, that with regard to government partners, the influence of the Office of the United Nations High Commissioner for Refugees (UNHCR) is limited, and that in certain countries UNHCR has no alternative than to work with government partners. Audit certification has been a subject of extensive comments by the Committee and the Board. As has been stated previously by the Committee, for example, in paragraphs 95 and 96 of its report contained in document A/53/513, the certification process is an important element in the accountability of implementing partners. It is the view of the Committee, therefore, that all implementing partners without exception must comply with this requirement. In this connection, the Committee notes that, as indicated in paragraphs 62-72 of the report of the Board,[1] the quality of the performance of implementing partners continues to be poor.

6. The Advisory Committee notes from paragraph 3 (i) of document A/AC.96/917/Add.1 the intention of the Office of the High Commissioner to make payments for these audits to allow government auditors to give priority to UNHCR-funded activities. The Committee is of the view that before a decision is made to pay government auditors, the cost-effectiveness of such an option should be determined after all other options have been explored. The provision of assistance to implementing partners was covered in the report of the Committee contained in document A/51/533, in particular paragraph 27. Accordingly, bearing in mind its previous recommendations on the subject, the Committee recommends that UNHCR formulate the criteria for and the conditions under which such assistance should be granted, including guidelines to ensure delivery of the services for which assistance would be rendered to concerned implementing government partners.

7. The findings and recommendations of the Board concerning the subjects covered in paragraphs 80-85 and 99-106 of its report[1] have been taken into account in the observations of the Advisory Committee on the annual programme budget of UNHCR for 2000.

## Implementation of the recommendations of the Board of Auditors

8. The reports of the Secretary-General on implementation of the recommendations of the Board of Auditors (A/54/140 and Add.1) have been submitted through the Board in accordance with General Assembly resolution 52/212 B. The Board's report on the implementation of its recommendations is contained in the appendix to the letter dated 29 June 1999 from the Chairman of the Board addressed to the Secretary-General (A/54/159, annex). The Advisory Committee commends the Board for its report. The Committee notes from paragraph 9 of that report that the bulk of the recommendations, 100 out of 156, had been partially implemented. The Committee requests that in the next report the Board further analyse this category to identify recommendations that are under implementation and those that have been partially implemented but for which no further action is contemplated. Information on the time taken to implement recommendations of the Board would also be useful in demonstrating the efficiency and priority attention of the administrations concerned.

## Other matters

9. With respect to the implementation of recommendation 11 (a) as reported by the United Nations Children's Fund (UNICEF) in its response to the recommendations of the Board of Auditors (A/54/140/Add.1, chap. II, sect. D, para. 2), the Advisory Committee notes that the Board intends to follow up on this question (see A/54/159, annex, appendix, para. 27). Further comments by the Committee will be made in the context of its examination of the audit report on UNICEF for 1998-1999. In the meantime, the Committee wishes to point out that the statement made by the UNICEF Administration in paragraph 8 (a) of its response is technically incorrect. According to UNICEF, the payment of funds by UNICEF to Governments is taken as an expenditure because the ownership of the funds is transferred to the Government at the time the payment is made. The implication of accepting this view is far wider than may have been understood by the UNICEF Administration, since the statement might be construed as implying that funds transferred to Governments are grants to be used by Governments in the manner of their choosing. The Committee points out that whereas Governments may have custody of funds made available by UNICEF, they do not own the funds, and if funds are not fully spent for the purposes intended by UNICEF, they have to be refunded.

10. Indeed, its own rules require that if such funds are not used for the purpose for which they were transferred or if amounts are not used, then UNICEF must be refunded accordingly (financial circular No. 15 (Rev.1) CF/DFM/1991/10, para. 3). In the opinion of the Advisory Committee, the nature of cash assistance by UNICEF is no different from advances made to implementing partners by UNHCR. For example, in paragraph 75 of its report,[1] the Board indicated that $13.5 million was refunded in 1998 by implementing partners as a result of the closure of projects, and that the closure of projects was delayed for periods ranging from one to five years. The Committee intends to follow up on this question in connection with its examination of the Board's report on UNICEF for 1998-1999.

11. The Advisory Committee takes note of the comments of the Board on the report of the Secretary-General on the hiring and use of consultants in the Secretariat (A/54/165, annex, appendix). The Committee is reporting separately on the related report of the Secretary-General (A/54/164) as well as a report on consultants and individual contractors (A/C.5/54/4).

12. The Advisory Committee also takes note of the report of the Secretary-General on the year 2000 compliance issue (A/C.5/54/3). That report was submitted pursuant to a request of the Committee (A/53/513, para. 16) that the United Nations Secretariat coordinate the preparation of a report by the Administration and the administration of United Nations funds and programmes on the progress made with respect to the year 2000 compliance issue.

13. The Advisory Committee welcomes the measures taken or to be taken with respect to the year 2000 compliance issue. During its consideration of the report (A/C.5/54/3), the Committee was provided with information not only on the progress made since the document was issued but also on measures that were likely to be taken before the Fifth Committee acts on the report. In this connection, the Committee requests the Secretariat to provide the Fifth Committee with the most up-to-date information available on this question.

14. The Advisory Committee notes that the report contains very little information on measures taken to maintain the logistical and operational readiness of the Department of Peacekeeping Operations in the field. The Committee also notes that there is no system-wide picture of the state of preparedness of the members of the United Nations system with regard to the year 2000 compliance issue, and requests the Secretary-General to draw the attention of the members of the Administrative Committee on Coordination to this need.

*Notes*

[1] *Official Records of the General Assembly, Fifty-fourth session, Supplement No. 5 E* (A/54/5/Add.5), chap. I.